

Veto Players and the Greek Constitution

VB verfassungsblog.de/veto-players-greek-constitution-part-1-2/

On June 20th, George Tsebelis delivered a speech upon his acceptance of an honorary PhD by the University of Crete in which he applies the insights of his seminal "veto player" theory to the task of constitutional reform in Greece with a view to reducing the power of extremist parties. We document this speech, previously published in the Greek Political Science Review, in a four-part series.

1. Introduction

In almost all my professional life I have been working on the analysis of institutions on the basis of one concept, which constitutes the basis of the development of economics and is becoming more and more prominent in political science: the concept of (Nash) equilibrium. Equilibrium is an outcome that maximizes the utilities of all the actors involved. In different terms, it is the result of optimal action of every player, given the prevailing institutions, and the behavior of all the other actors involved.

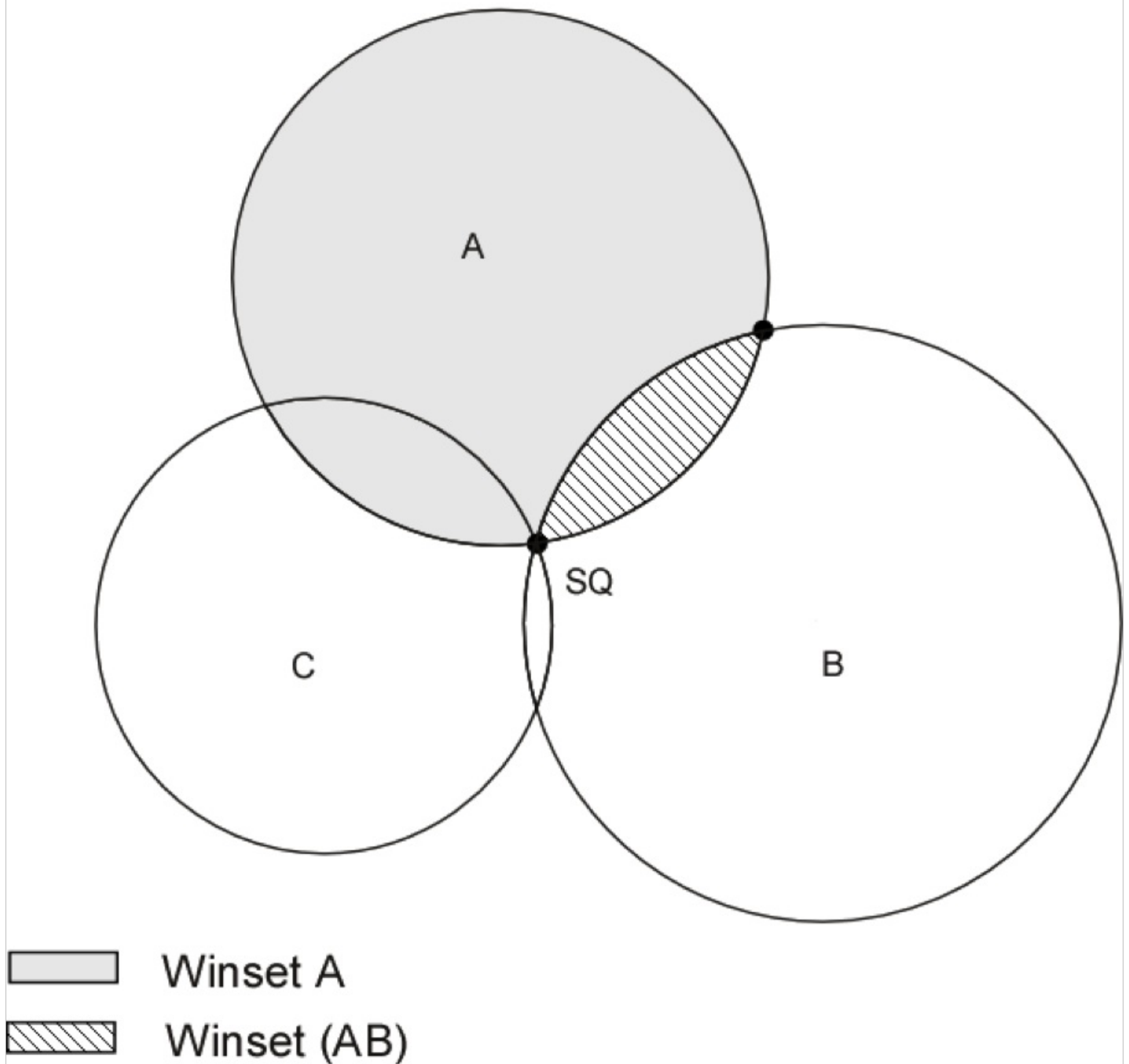
Why is equilibrium analysis so crucial in the social sciences? Because, assuming the actors have preferences, and they are rational, each one of them will do the best he or she can to achieve these preferences, or reach as close to them as possible given the rules of the game and the behavior of other players. In other words, equilibrium outcomes will be reached by the rational action of all players involved, *and* once reached they will not be changed by the action of individual players alone (because each one of them has already adopted optimal behavior to reach the equilibrium point, so, unilateral departure does not promote his goals).

In politics, an important way to "lock" such equilibrium outcomes is to make the change of the status quo more difficult, to require qualified majorities of one (collective) actor or concurrent majorities of different players (in the case, say, of a coalition) to achieve. This has been the subject matter of work presented in my book *Veto Players*.

A veto player is an actor whose agreement is necessary to change the status quo. And, every political system has a certain number of veto players. For example, in the United States there are three institutional veto players, the President, the House, and the Senate, and all three are required to agree in order to modify the status quo. In contrast Greece three years ago, had a single veto player, the majority party and its prime minister. Within the last two years, the number of veto players changed, from three (the three partners in government) and to two (the current two party government). The overall number of veto players varies by issue. In the United States the President is the only veto player in terms of foreign and defense policy, in Greece the number of veto players expands when we deal with the election of the President of the Republic (this is why the main opposition party can decide an election is it so desires).

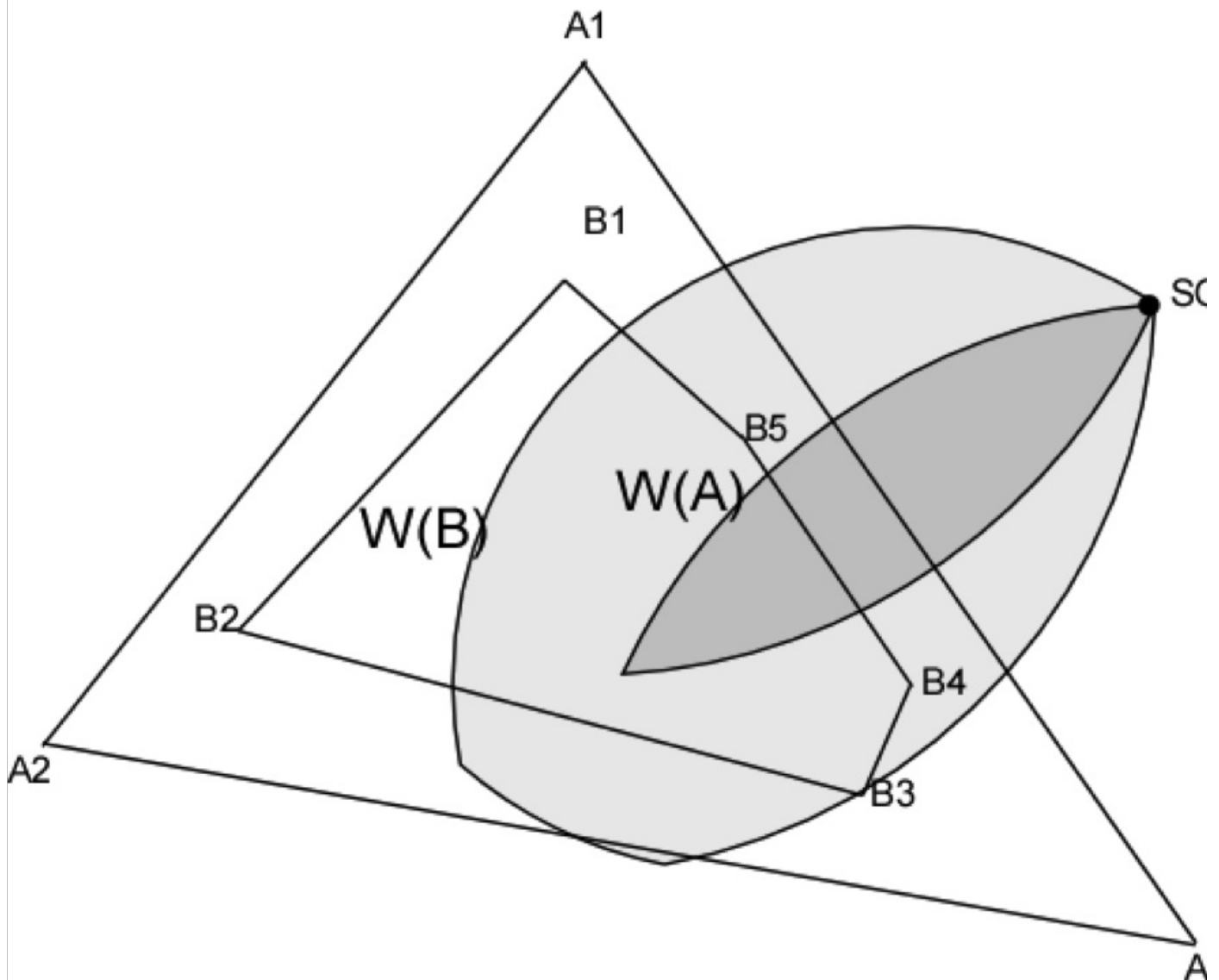
I first demonstrate the intuition behind *Veto Players* analysis, and then apply it to the Greek context. In veto players analysis, I relate proposals for change to existing policies, the status quo, and compare how the placement and distribution of actors' preferences among veto players determines which outcomes are possible. Let us assume a plane (a two dimensional policy space) and locate the status quo at the point **SQ**. Next, let us assume that there is a single veto player located in point **A** (say a government of PASOK or New Democracy in the 80's or 90's). This veto player prefers anything inside the circle with center **A** that goes through **SQ** over **SQ** itself as these policies would be closer to **A**'s preferences than the current **SQ**. Player **A** prefers the **SQ** to all points outside this circle. The shaded area in the Figure 1 is "the winset of the status quo" with one veto player. Let us now add a second veto player **B** (like the current two party government). Similarly, Player **B** prefers anything that is located inside the circle with center **B** going through **SQ**. For this two veto player situation (a coalition government) the winset of the status quo is the hatched area in the Figure. Adding a second veto player significantly reduces the winset of the status quo. Let us now add a third veto player **C** (say, a three party coalition). Draw again a circle around **C** going through **SQ**. Now the winset of **SQ** is the empty set, as there are no policies that the three veto players prefer to the current status quo. The system is locked, and as long as these three parties remain in government, the status quo cannot be replaced. This is what happened with the ERT policy. The general idea generated by this analysis, is that the more veto players, the more policy stability, that is, the greater the difficulty in changing the status quo.

Winset of one, two, and three veto players



A second idea I want to impress upon you is that the larger the ideological distances between veto players, the more difficult it is to change the status quo. In Figure 2, I present two different countries, A contains 3 veto players with large ideological distances among them, and B contains five veto players and smaller ideological distances among them. As you can see, the winset is smaller (and thus policy stability is higher) in country A than in country B despite the higher number of veto players in B.

Veto players A1-A3 produce more policy stability than B1-B5
(no matter where the status quo is)



The conclusions I will draw from these figures are that if we want to promote change, we should reduce both the number of veto players and the ideological distances among them. If we care about policy stability and want to preserve the status quo, we should do the opposite. Politically, there are many ways to preserve stability: increase required majorities (2/3 or 3/5 instead of absolute majority, or plurality), or endow two different *institutions* with veto powers (instead of one or two different *parties*), or add requirements for a referendum for ratification, etc.

Whether we want to change the status quo or not is a political decision that depends on our preferences as well as the status quo. However, historically conservatives have wanted to preserve the status quo while the left wanted change. Professionally, political scientists want the political system to be able to respond to changes in the environment with policy changes, while economists prefer to leave things to private actors without government interference.

The basic assumption of the rest of my talk is the following: Greek society is in an unsustainable equilibrium, and we desperately need change in the short and medium run. It may seem obvious, but let me elaborate. We can see the “equilibrium” part of the argument in everyday behaviors of avoiding taxes or receipt collection because this is the easiest way for many companies to stay in business, or avoid the overwhelming burden of taxation. We can see

“equilibrium” signs in the price of milk or the protection of taxi drivers. We can see it in laws that are postponed waiting for implementing measures. We can see it in laws that are modified before they get implemented, so that nobody knows what the law is, and the status quo remains the same.

We can see the “short run” need for change from the behavior of our lenders, who are asking for structural reforms before they release the next payment. And we can anticipate further pressures from the slow rate of release of funds. “But,” the opposing argument may be, “if we implement the government multi-law we are done. Aren't we?”

The answer to that is that even if we did, there are long term problems of sustainability of the debt (I hope that some of them will be relieved in the near future), but more importantly, there are problems of sustainability with intergenerational pension transfers, not just in Greece, but in all advanced industrialized societies that have not been discussed and will be requiring answers. Because of the arrival of baby boomers at the stage of retirement, social security transfers cannot be sustained at current levels not only in Greece but also in any country. Because of the progress of medicine and the ability to sustain human life in advanced age with astronomical costs, current healthcare agreements are not sustainable either. A democratic debate on these issues and the design of sustainable solutions are necessary and a political system that can address and implement these changes is necessary. In this respect, the crisis makes the problem in Greece more obvious and more urgent, but other countries will have to take down the road similar steps.

Therefore, our institutions should enable change instead of preventing it. In other words, in a systematic way, we should enable Greece to change by reducing the number of veto players, and/or their ideological distances. Designing the institutions to permit change is a necessary condition but not a sufficient one. After all, we had a single veto player from 1974 until 2012 (not to mention 1967-74 or even before) and we did not avoid the crisis.

In what follows, I will use the veto players framework to address three different issues: 1. Constitutions in a comparative perspective. 2. Issues debated related to the Greek Constitutional reform. 3. Electoral system. In all three cases, the framework will be the one I developed in *Veto Players* and summarized before.

continue to part 2: [A long constitution is \(positively\) a bad constitution!](#)

LICENSED UNDER CC BY NC ND

SUGGESTED CITATION Tsebelis, George: *Veto Players and the Greek Constitution*, *VerfBlog*, 2014/10/11, <http://verfassungsblog.de/veto-players-greek-constitution-part-1-2/>.

On June 20th, George Tsebelis delivered a speech upon his acceptance of an honorary PhD by the University of Crete in which he applies the insights of his seminal "veto player" theory to the task of constitutional reform in Greece with a view to reducing the power of extremist parties. We document this speech, previously published in the Greek Political Science Review, in a four-part series.

1. Introduction

In almost all my professional life I have been working on the analysis of institutions on the basis of one concept, which constitutes the basis of the development of economics and is becoming more and more prominent in political science: the concept of (Nash) equilibrium. Equilibrium is an outcome that maximizes the utilities of all the actors involved. In different terms, it is the result of optimal action of every player, given the prevailing institutions, and the behavior of all the other actors involved.

Why is equilibrium analysis so crucial in the social sciences? Because, assuming the actors have preferences, and they are rational, each one of them will do the best he or she can to achieve these preferences, or reach as close to them as possible given the rules of the game and the behavior of other players. In other words, equilibrium outcomes will be reached by the rational action of all players involved, *and* once reached they will not be changed by the action of individual players alone (because each one of them has already adopted optimal behavior to reach the equilibrium point, so, unilateral departure does not promote his goals).

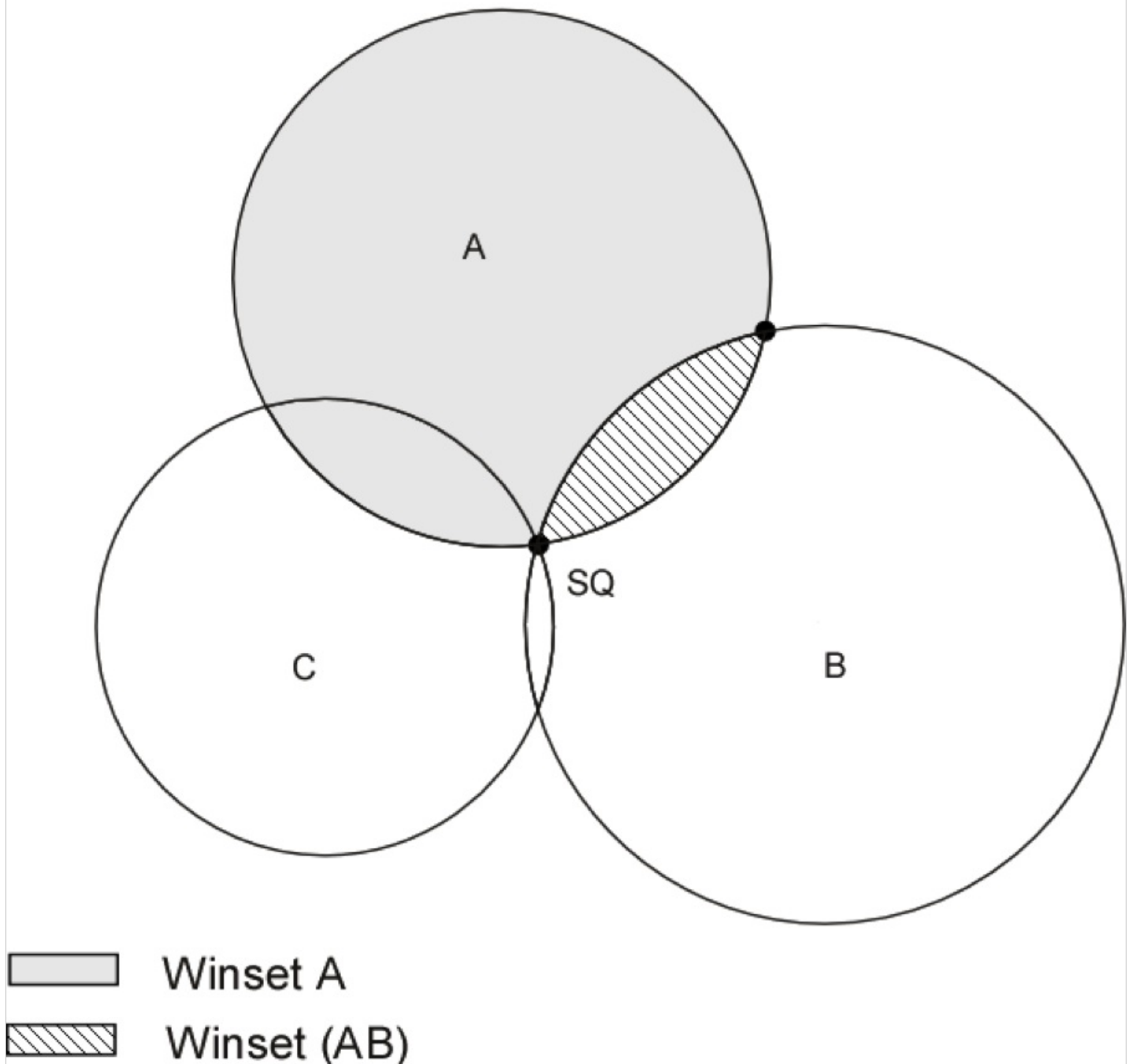
In politics, an important way to “lock” such equilibrium outcomes is to make the change of the status quo more difficult, to require qualified majorities of one (collective) actor or concurrent majorities of different players (in the

case, say, of a coalition) to achieve. This has been the subject matter of work presented in my book *Veto Players*.

A veto player is an actor whose agreement is necessary to change the status quo. And, every political system has a certain number of veto players. For example, in the United States there are three institutional veto players, the President, the House, and the Senate, and all three are required to agree in order to modify the status quo. In contrast Greece three years ago, had a single veto player, the majority party and its prime minister. Within the last two years, the number of veto players changed, from three (the three partners in government) and to two (the current two party government). The overall number of veto players varies by issue. In the United States the President is the only veto player in terms of foreign and defense policy, in Greece the number of veto players expands when we deal with the election of the President of the Republic (this is why the main opposition party can decide an election is it so desires).

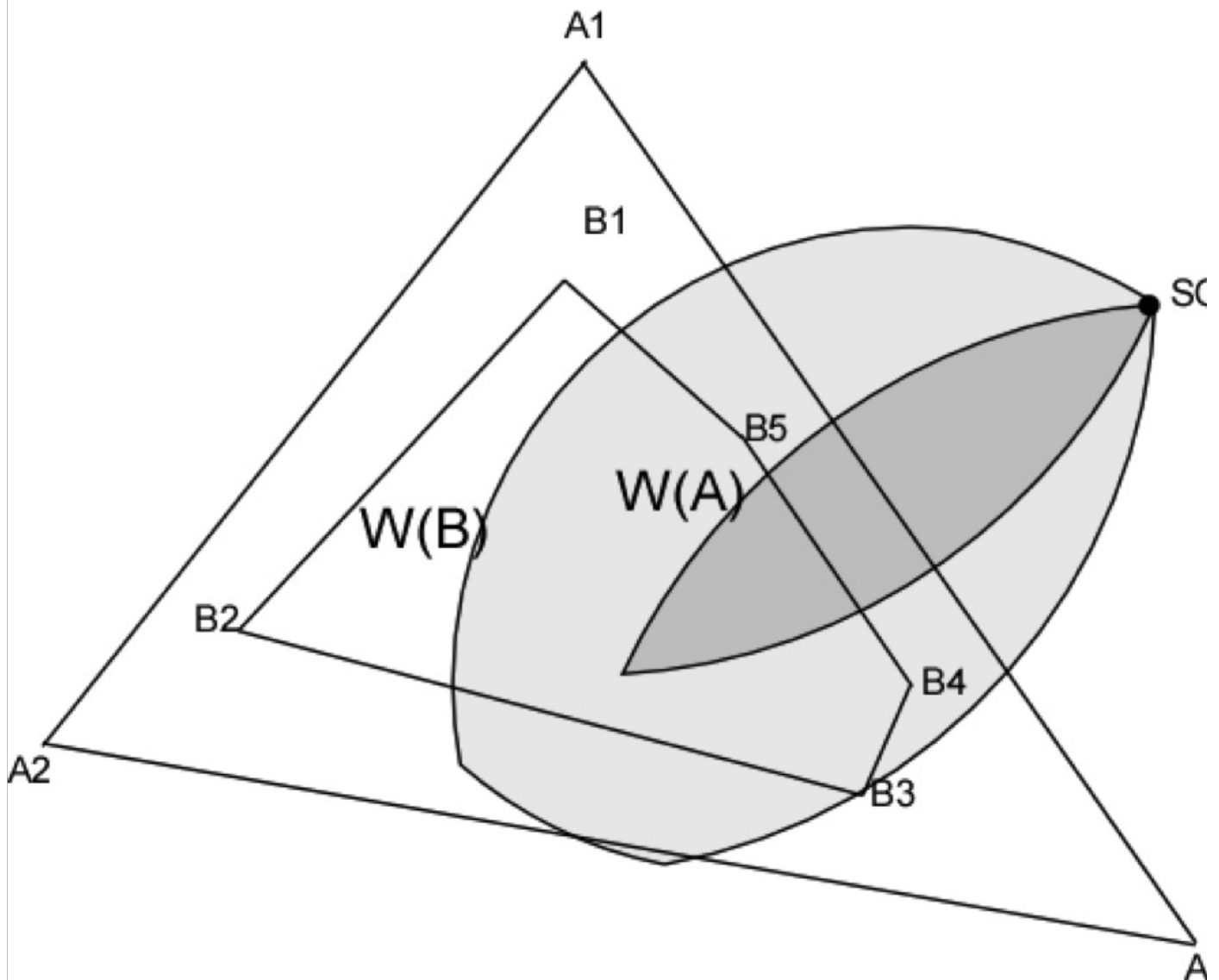
I first demonstrate the intuition behind *Veto Players* analysis, and then apply it to the Greek context. In veto players analysis, I relate proposals for change to existing policies, the status quo, and compare how the placement and distribution of actors' preferences among veto players determines which outcomes are possible. Let us assume a plane (a two dimensional policy space) and locate the status quo at the point **SQ**. Next, let us assume that there is a single veto player located in point **A** (say a government of PASOK or New Democracy in the 80's or 90's). This veto player prefers anything inside the circle with center **A** that goes through **SQ** over **SQ** itself as these policies would be closer to **A**'s preferences than the current **SQ**. Player **A** prefers the **SQ** to all points outside this circle. The shaded area in the Figure 1 is "the winset of the status quo" with one veto player. Let us now add a second veto player **B** (like the current two party government). Similarly, Player **B** prefers anything that is located inside the circle with center **B** going through **SQ**. For this two veto player situation (a coalition government) the winset of the status quo is the hatched area in the Figure. Adding a second veto player significantly reduces the winset of the status quo. Let us now add a third veto player **C** (say, a three party coalition). Draw again a circle around **C** going through **SQ**. Now the winset of **SQ** is the empty set, as there are no policies that the three veto players prefer to the current status quo. The system is locked, and as long as these three parties remain in government, the status quo cannot be replaced. This is what happened with the ERT policy. The general idea generated by this analysis, is that the more veto players, the more policy stability, that is, the greater the difficulty in changing the status quo.

Winset of one, two, and three veto players



A second idea I want to impress upon you is that the larger the ideological distances between veto players, the more difficult it is to change the status quo. In Figure 2, I present two different countries, A contains 3 veto players with large ideological distances among them, and B contains five veto players and smaller ideological distances among them. As you can see, the winset is smaller (and thus policy stability is higher) in country A than in country B despite the higher number of veto players in B.

Veto players A1-A3 produce more policy stability than B1-B5
(no matter where the status quo is)



The conclusions I will draw from these figures are that if we want to promote change, we should reduce both the number of veto players and the ideological distances among them. If we care about policy stability and want to preserve the status quo, we should do the opposite. Politically, there are many ways to preserve stability: increase required majorities (2/3 or 3/5 instead of absolute majority, or plurality), or endow two different *institutions* with veto powers (instead of one or two different *parties*), or add requirements for a referendum for ratification, etc.

Whether we want to change the status quo or not is a political decision that depends on our preferences as well as the status quo. However, historically conservatives have wanted to preserve the status quo while the left wanted change. Professionally, political scientists want the political system to be able to respond to changes in the environment with policy changes, while economists prefer to leave things to private actors without government interference.

The basic assumption of the rest of my talk is the following: Greek society is in an unsustainable equilibrium, and we desperately need change in the short and medium run. It may seem obvious, but let me elaborate. We can see the “equilibrium” part of the argument in everyday behaviors of avoiding taxes or receipt collection because this is the easiest way for many companies to stay in business, or avoid the overwhelming burden of taxation. We can see

“equilibrium” signs in the price of milk or the protection of taxi drivers. We can see it in laws that are postponed waiting for implementing measures. We can see it in laws that are modified before they get implemented, so that nobody knows what the law is, and the status quo remains the same.

We can see the “short run” need for change from the behavior of our lenders, who are asking for structural reforms before they release the next payment. And we can anticipate further pressures from the slow rate of release of funds. “But,” the opposing argument may be, “if we implement the government multi-law we are done. Aren't we?”

The answer to that is that even if we did, there are long term problems of sustainability of the debt (I hope that some of them will be relieved in the near future), but more importantly, there are problems of sustainability with intergenerational pension transfers, not just in Greece, but in all advanced industrialized societies that have not been discussed and will be requiring answers. Because of the arrival of baby boomers at the stage of retirement, social security transfers cannot be sustained at current levels not only in Greece but also in any country. Because of the progress of medicine and the ability to sustain human life in advanced age with astronomical costs, current healthcare agreements are not sustainable either. A democratic debate on these issues and the design of sustainable solutions are necessary and a political system that can address and implement these changes is necessary. In this respect, the crisis makes the problem in Greece more obvious and more urgent, but other countries will have to take down the road similar steps.

Therefore, our institutions should enable change instead of preventing it. In other words, in a systematic way, we should enable Greece to change by reducing the number of veto players, and/or their ideological distances. Designing the institutions to permit change is a necessary condition but not a sufficient one. After all, we had a single veto player from 1974 until 2012 (not to mention 1967-74 or even before) and we did not avoid the crisis.

In what follows, I will use the veto players framework to address three different issues: 1. Constitutions in a comparative perspective. 2. Issues debated related to the Greek Constitutional reform. 3. Electoral system. In all three cases, the framework will be the one I developed in *Veto Players* and summarized before.

*continue to part 2: **[A long constitution is \(positively\) a bad constitution!](#)***

LICENSED UNDER CC BY NC ND

SUGGESTED CITATION Tsebelis, George: *Veto Players and the Greek Constitution*, *VerfBlog*, 2014/10/11, <http://verfassungsblog.de/veto-players-greek-constitution-part-1-2/>.